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BEFORE THE ARIZONA CORPORATION

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AZ CORP COMMISSION
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IN THE MATTER OF THE APPLICATION OF
PALO VERDE UTILITIES COMPANY FOR AN
EXTENSION OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

Docket No. SW-03575A-04-0767

IN THE MATTER OF THE APPLICATION OF
SANTA CRUZ WATER COMPANY FOR AN
EXTENSION OF ITS EXISTING CERTIFICATE
OF CONVENIENCE AND NECESSITY.

Docket No. W-03576A-04-0767

REPLY IN SUPPORT OF

MOTION FOR EXTENSION OF TIME

On May 5, 2006, Palo Verde Utilities Company, LLC and Santa Cruz Water Company, LLC (collectively, "Global") filed a Motion that the Commission grant an extension of time for certain compliance items due under Decision No. 67830 (May 5, 2005). On May 18, 2006, Staff filed a Response to the Motion, recommending that the requested extensions be granted, except that they recommend that the extension for Glennwilde Well # 2 and Rancho Mirage Well # 2 be shortened to September 30, 2007. Global accepts this Staff recommendation. In addition, Global requests that the proposed extension for the license / operating agreement with the City of Maricopa be increased a few weeks, so that the due date will be extended until September 30, 2006.

With regard to the Glennwilde Well # 2 and Rancho Mirage Well # 2, although Global agrees with Staff's recommendation, for the purposes of clarification, Global provides the following additional information. Staff based its recommendation on an estimated growth rate of

1 2,912 per year, or 242 per month. Staff projected an estimate of 22,919 customers by the end of
2 2007. However, Global has approximately 10,700 customers at present. Thus, based on Staff's
3 estimated growth rate, Global is unlikely to reach the number of customers estimated by Staff. To
4 reach the level predicted by Staff, customer growth would need to be approximately 440 customers
5 per month. Such a growth rate is somewhat unlikely, especially since the real estate market is
6 cooling. Global has averaged 275 new customers per month over the first four months of 2006.
7 Thus, Global believes that it has a greater "cushion" of capacity than anticipated by Staff. Global
8 will continue to closely monitor its growth rate, and will ensure that adequate capacity comes
9 online in a timely manner.

10 Regarding the operating / license agreement with the City of Maricopa, based on additional
11 information obtained after the motion was filed, Global now requests that the proposed extension
12 be increased. Global has been pursuing this matter with the City. However, the City has
13 numerous other matters on its plate. In addition, the City Attorney will be taking a trip out of the
14 country. Based on communications with the City Attorney, Global does not believe that the City
15 Attorney will be able to review the current draft until late June or early July. The agreement could
16 then be presented to the City Council for discussion and approval in August or September. To
17 build in a margin for contingencies, Global now requests that the due date for this item be
18 extended until September 30, 2006 (the previous proposal would have extended the due date until
19 September 4, 2006). Global notes that the signature of this operating / license agreement was
20 expressly contemplated in the Global's Public Private Partnership ("P3") agreement with the City.
21 Global remains confident that this agreement will be finalized relatively soon.

22 To summarize, Global requests that the Commission:

- 23 (1) Grant a 60 day extension with regard to Rancho Mirage Well # 1, as
24 recommended by Staff;
- 25 (2) Grant an extension until May 5, 2007 for Glennwilde Well # 2 and Rancho
26 Mirage Well # 2; as recommended by Staff; and
27

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(3) Grant an extension until September 30, 2006 for submitting the operating/license agreement with the City of Maricopa as the substitute for a franchise.

RESPECTFULLY SUBMITTED this 1st day of June 2006.

ROSHKA DEWULF & PATTEN, PLC

By



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Original + 15 copies of the foregoing
filed this 1st day of June 2006, with:

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